

State of New Mexico

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December 12, 2005

MEMORANDUM

TO: Legislative Education Study Committee

FR: Frances R. Maestas

**RE: STAFF BRIEF: PUBLIC SCHOOL FUNDING FORMULA STUDY
RECOMMENDATIONS**

The 2005 Interim Workplan of the Legislative Education Study Committee (LESC) includes a presentation outlining the 2005 interim activities and recommendations of the Public School Funding Formula Study Task Force.

Issues:

- In 2005, the Legislature passed and the Governor signed, legislation, to create the Public School Funding Formula Task Force, through December 15, 2006, to initiate a comprehensive study of the New Mexico Public School Funding Formula (see Attachment 1, *Laws 2005, Chapter 49*).
- Among its provisions, the law charges the task force with approving a request for proposals and selecting a contractor to conduct a study of the Public School Funding Formula to include:
 - the expectations of the public and statutory requirements for New Mexico's public education system;
 - the costs of those expectations and requirements;
 - an examination of the Training and Experience (T&E) Index and its alignment with the three-tiered licensure system for teachers;
 - the problems particular to small schools and small school districts; and
 - any other factors that might affect the equity and efficacy of the Public School Funding Formula as a whole.

- The 2005 Legislature also appropriated \$200,000 in the *General Appropriation Act of 2005* to support this study; however, despite signing the legislation creating the task force, the Governor vetoed the appropriation.
- For the 2005 interim, the Legislative Council approved a workplan submitted by the task force outlining the composition of the task force (14 voting members and 16 advisory members), a proposed meeting schedule, and the proposed activities of the task force for the interim that focused on understanding the historical development and public policy decisions of the current funding formula (see Attachment 2).
- In a series of two-day meetings, the task force met five times during the 2005 interim. Some of the testimony included a presentation by Dr. Richard A. King, a national expert on school finance policy and education law, who provided the task force with a 30-year retrospective on the New Mexico Public School Funding Formula; a joint presentation from staff of the LESC, Legislative Finance Committee (LFC), Legislative Council Service (LCS), and the Public Education Department (PED), outlining the methodology used in the calculation of program cost and the distribution of the appropriation provided each year by the Legislature for the State Equalization Guarantee; and school district personnel and other representatives who wished to provide input.
- The primary recommendations of the Public School Funding Formula Task Force for consideration of the 2006 Legislature include:
 - legislation to extend the life of the task force and a \$1.0 million appropriation to fund a study of the funding formula in FY 06 through FY 08; and
 - a \$196.0 million appropriation to increase the current unit value by 10 percent.
- Among other recommendations, the task force proposes to endorse and support initiatives that:
 - distribute the FY 07 minimum salary for teachers through program cost;
 - accelerate (in FY 07) the implementation of minimum salaries for teachers (the current law require a \$45,000 minimum salary in FY 07, and a \$50,000 minimum salary in FY 08), and the salaries of principals which were delayed until FY 08 by the 2005 Legislature;
 - amend current law restricting school district cash balances to allow the districts to maintain a reserve for unforeseen costs;
 - increase the appropriation for emergency supplemental distributions;
 - create a start-up fund for school districts opening a new school;
 - exempt school districts from the payment of impact fees; and
 - require input from school districts before Industrial Revenue Bonds are issued by a local government.

Background:

- Enacted by the New Mexico Legislature in 1974, the state's current Public School Funding Formula was designed to distribute operational funds to local school districts in an objective manner, based upon the educational needs of individual students and the costs of the programs designed to meet those needs.
- The original program cost differentials were based upon nationwide research and data regarding the relative costs of various school programs, as well as experience in New Mexico public school system.
- The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner) and (2) to retain local autonomy in actual use of funds by making the distribution noncategorical, thus allowing districts to address needs at the local level.
- The formula is divided into three basic parts:
 - (1) Educational program units that reflect the different costs of identified instructional programs;
 - (2) Training and Experience units that attempt to distribute additional funds so that districts may hire and retain more highly educated and more experienced instructional personnel; and
 - (3) Size adjustment units that recognize local school and district needs, economies of scale, marginal cost and other increases for growth in enrollment from one year to the next, and adjustments for the creation of new districts.
- The last comprehensive study of the Public School Funding Formula was completed in 1996. Prior to the study, school districts had expressed concern about a number of issues, including:
 - waivers given by the education department to certain districts in regard to the way in which the district's were calculating their T&E indexes,
 - the perceived unfairness of the density factor;
 - the level of funding for special education, and
 - the apparent inequity in the availability of capital outlay resources.
- In response, in 1995, the Legislature in conjunction with the former State Board of Education and the Office of the Governor created a Public School Funding Formula Task Force to study these issues in the context of the entire Public School Funding Formula. The task force, which met throughout the late summer and fall of 1995, selected a consultant in January 1996. The consultant completed his report in November 1996, and the task force made its recommendations to the 1997 Legislature.

- The resulting legislation, which was enacted and signed into law:
 - replaced the density factor with the at-risk index;
 - amended the special education cost differentials for related services; and
 - eliminated the T&E waivers.
- The most recent concerns about the Public School Funding Formula have centered on the:
 - alignment of the T&E Index with the three-tiered licensure system for teachers;
 - recognition of instructional support providers through the T&E Index or an alternate mechanism in the formula; and
 - fiscal difficulties faced by school districts with a membership of 200 or less.
- During the 2003 interim, the directors of the LESC, the LFC, and the LCS, under the direction of the legislative leadership, jointly funded a study of the relationship between the three-tiered licensure system and the T&E Index. Although the consultant's final report included a recommendation to replace the current index with one more closely aligned with the new licensure system, problems determining the potential effect of the proposed change on the distribution of funds to individual districts resulted in a decision by both the LESC and the LFC to postpone action until additional evaluations could be made.
- In the 2004 interim, PED, in cooperation with the LESC, formed the Training and Experience Work Group to:
 - study the implications of the three-tiered licensure system on the T&E Index;
 - examine the possible inclusion of instructional support providers in a new, aligned index; and
 - develop recommendations for the 2005 legislative session.
- The first recommendation made by the work group was for a comprehensive study of the Public School Funding Formula.
- During the 2004 legislative session, several small school district superintendents presented the House Education Committee with a proposal to establish a separate formula for incremental supplemental funding for districts with an enrollment of 200 or less. As a result, during the 2004 interim, the LESC convened the Small School District Work Group to identify problems common to the state's small school districts and to make recommendations regarding potential solutions for possible consideration by the LESC.
- The major problem identified by the Small School District Work Group is that the current Public School Funding Formula does not generate sufficient operational funds for small districts, resulting in staff and program reductions and in salary schedules that are lower than those in other districts. In order to develop long-term solutions to ensure sufficient and equitable funding not just for small school districts but for all public schools, the Small School District Work Group recommended a comprehensive study of the Public School Funding Formula.
- Appropriations to fund a Public School Funding Formula study were vetoed in 2001, 2003, 2004, and 2005.

Presenters:

For this presentation, Representative Mimi Stewart, Co-Chair, Funding Formula Study Task Force, and Ms. Jonelle Maison, Bill Drafter, LCS, will summarize the 2005 interim activities and recommendations of the Public School Funding Formula Task Force.

Questions the committee may wish to consider:

1. As a result of its 2005 interim study, what problems has the task force identified with the Public School Funding Formula?
2. What timeline has the task force discussed for completing a study of the funding formula?
3. How did the task force determine the cost estimate of \$1.0 million for the study of the funding formula?
4. What are the reasons for the task force recommendation to increase the unit value prior to completing a study of the funding formula?
5. Why is the task force recommending an appropriation increase for the emergency supplemental distributions?



The Legislature of the State of New Mexico

47th Legislature, First Session

LAWS 2005

CHAPTER 49

SENATE BILL 125, as amended

Introduced by

SENATOR CYNTHIA NAVA
SENATOR MARY KAY PAPEN



FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE

Chapter 49

AN ACT

RELATING TO PUBLIC SCHOOL FINANCE; CREATING A FUNDING FORMULA
STUDY TASK FORCE; PROVIDING DUTIES; ALLOWING CONTRACTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. FUNDING FORMULA STUDY TASK FORCE CREATED--
MEMBERSHIP--DUTIES.--

A. The "funding formula study task force" is
created. The task force shall function from the date of its
appointment until December 15, 2006.

B. The task force is composed of the following
members:

(1) three members from the house of
representatives and three members from the senate appointed
by the New Mexico legislative council;

(2) three members appointed by the governor;

(3) four representatives of public school
administrators, including one each from a small district, a
growth district, an impact aid district and a mid-sized
district. The members shall be appointed by the New Mexico
legislative council from a list submitted by the New Mexico
superintendents' association; and

(4) the president of the New Mexico school
board association or the president's designee.

C. Vacancies on the task force shall be filled by

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1 appointment by the original appointing authority.

2 D. Members of the task force are entitled to per
3 diem and mileage as provided in the Per Diem and Mileage Act
4 and shall receive no other compensation, perquisite or
5 allowance.

6 E. Staff for the task force shall be provided by
7 the legislative council service, the legislative education
8 study committee, the legislative finance committee, the
9 public education department and the office of education
10 accountability of the department of finance and
11 administration. Staff shall provide technical assistance to
12 the contractor.

13 F. The task force shall:

14 (1) develop a work plan and budget for
15 approval by the New Mexico legislative council;

16 (2) approve the request for proposals for a
17 contractor to conduct the study of the public school funding
18 formula and select the contractor; and

19 (3) make recommendations to the legislature
20 and the governor by December 15, 2006.

21 G. The request for proposals shall request a
22 comprehensive study of the public school funding formula,
23 including the expectations of the public and statutory
24 requirements for New Mexico's public education system; the
25 costs of those expectations and requirements; and a thorough

1 analysis of all formula components and consideration of
2 possible changes to the formula, including:

3 (1) a revised training and experience index
4 aligned to the three-tiered licensure system for teachers;

5 (2) size factors associated with small
6 schools and small school districts; and

7 (3) any other factor with the potential to
8 affect the equity and efficacy of the funding formula as a
9 whole.

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Diane D. Denish

Diane D. Denish, President
Senate

Margaret Larragoite

Margaret Larragoite, Chief Clerk
Senate

Ben Lujan

Ben Lujan, Speaker
House of Representatives

Stephen R. Arias

Stephen R. Arias, Chief Clerk
House of Representatives

Approved by me this 28th day of March, 2005

Bill Richardson

Governor Bill Richardson
State of New Mexico

**Approved Work Plan and Budget
of the
Funding Formula Study Task Force**

The funding formula study task force was created pursuant to Laws 2005, Chapter 49. The function of the task force is to approve the request for proposals for a contractor to study the public school funding formula and to select the contractor.

The task force is composed of the following legislative members:

Rep. Mimi Stewart, co-chairwoman	Rep. Brian K. Moore
Sen. Vernon D. Asbill	Sen. Cynthia Nava
Rep. Roberto "Bobby" J. Gonzales	Sen. James G. Taylor

Public members are:

Mr. Robert Archuleta	Ms. Lilliemaë Ortiz
Dr. V. Sue Cleveland	Mr. Dick Pool
Mr. Jack Jenkins	Mr. Dennis Roch
Mr. Randy Manning	Ms. Karen White

Advisory legislative members are:

Sen. Ben D. Altamirano	Sen. Gay G. Kernan
Rep. Gail C. Beam	Sen. Linda M. Lopez
Sen. Mark Boitano	Rep. Terry T. Marquardt
Rep. William "Ed" Boykin	Rep. Rick Miera
Sen. Pete Campos	Sen. Mary Kay Papen
Rep. Joni M. Gutierrez	Sen. Bernadette M. Sanchez
Rep. Jimmie C. Hall	Rep. Richard D. Vigil

Advisory public members are:

Mr. James M. Phipps
Mr. Manuel F. Valdez

Staff for the task force will be provided by the legislative council service, legislative education study committee, legislative finance committee, public education department and the office of education accountability.

The task force recognizes its multiyear task and proposes to focus during the 2005 interim on understanding the historical development of the public school funding formula and the public policy decisions that are reflected in the current funding formula. The task force will:

- (1) review previous studies of the New Mexico funding formula and piecemeal amendments to the formula since the last major revisions in 1997;
- (2) review funding formulas and mechanisms in other states;

SOURCE: Legislative Council Service

(3) scope issues of concern preparatory to developing the request for proposals (RFP), including:

(a) evaluating current factors in the funding formula;

(b) evaluating public education policy decisions that affect the formula;

and

(c) identifying education reform policies and decisions the state supports in the public school budget; and

(4) consider and make recommendations to the legislature on critical transitional issues, including how funding for required three-tier salaries will be handled in the general appropriation act.

The task force will also compile information on other states' experiences in conducting comprehensive funding formula studies, including costs, which will assist the task force in making recommendations to the legislature and governor for funding the New Mexico study.

Prior to developing the RFP, the task force will seek input from school districts, school staffs, parents, business groups and other interested persons. The task force will interact with the relevant professional associations and will provide information to their members at annual meetings where possible. The task force proposes two two-day meetings in representative areas around the state, at which it will hold evening meetings to provide briefings to the public on the funding formula and seek input on formula-related concerns. The task force requests legislative council approval to meet outside of Santa Fe after September.

Approved Meeting Schedule and Budget

<u>Date</u>	<u>Location</u>
July 8	Santa Fe
Aug 1-2	Santa Fe
Sept 12-13	Silver City
Oct 12-13	Carlsbad**
Nov 7-8	Santa Fe

** Task force needs approval for its October meeting outside of Santa Fe.